

NEW ORLEANS BIOINNOVATION CENTER, INC.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 06 2013**

CASCIO & SCHMIDT, LLC
Certified Public Accountants

NEW ORLEANS BIOINNOVATION CENTER, INC.

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CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
New Orleans BioInnovation Center, Inc

We have audited the accompanying statement of financial position of New Orleans BioInnovation Center, Inc. (a non-profit corporation) as of June 30, 2012, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2011 financial statements and, in our report dated September 12, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans BioInnovation Center, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of New Orleans BioInnovation Center, Inc taken as a whole. The accompanying combined statement of revenue and expenses for the year ended June 30, 2012, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cassio & Schmidt, L.P.C.

Metairie, Louisiana
December 13, 2012

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2012

ASSETS		MEMORANDUM ONLY
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
CURRENT ASSETS		
Cash	\$ 274,411	\$ 92,958
Receivables (Notes A4 and B)	<u>1,587,952</u>	<u>4,080,350</u>
Total current assets	1,862,363	4,173,308
PROPERTY AND EQUIPMENT - At cost		
(Notes A5 and C)	45,661,367	39,485,791
OTHER ASSETS		
Deposits and prepaid expenses	<u>127,118</u>	<u>127,255</u>
Total assets	\$ <u>47,650,848</u>	\$ <u>43,786,354</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Note payable	\$ -	\$ 70,002
Accounts payable	1,296,758	2,576,621
Rental deposits	26,170	7,700
Deferred revenue (Note D)	187,876	53,392
Retainages payable, construction	<u>-</u>	<u>1,323,601</u>
Total current liabilities	1,510,804	4,031,316
COMMITMENTS (Note E)	-	-
NET ASSETS (Notes A2 and A3)		
Unrestricted	396,672	142,747
Temporarily restricted	<u>45,743,372</u>	<u>39,612,291</u>
Total net assets	<u>46,140,044</u>	<u>39,755,038</u>
Total liabilities and net assets	\$ <u>47,650,848</u>	\$ <u>43,786,354</u>

The accompanying notes are an integral part of this statement

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012</u>	<u>TOTAL MEMORANDUM ONLY 2011</u>
REVENUE				
Grants Appropriations	\$ -	\$ 7,845,464	\$ 7,845,464	\$ 24,235,704
Public support	50,000	-	50,000	-
Sponsorships/Seminars	47,451	-	47,451	3,900
Rental income	201,802	-	201,802	130,206
Other	17,081	-	17,081	15,098
Net assets released from restrictions	<u>1,714,383</u>	<u>(1,714,383)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>2,030,717</u>	<u>6,131,081</u>	<u>8,161,798</u>	<u>24,384,908</u>
EXPENSES				
Salaries and related benefits	703,337	-	703,337	460,633
Contract service expense	246,154	-	246,154	97,262
Non-personnel expenses	64,823	-	64,823	38,958
Facility & equipment expenses	177,682	-	177,682	53,346
Travel & meeting expenses	46,774	-	46,774	26,539
Other expenses	224,456	-	224,456	149,138
Equipment, not capitalized	109,261	-	109,261	80,378
Depreciation	<u>204,305</u>	<u>-</u>	<u>204,305</u>	<u>14,637</u>
Total Expenses	<u>1,776,792</u>	<u>-</u>	<u>1,776,792</u>	<u>920,891</u>
INCREASE IN NET ASSETS	253,925	6,131,081	6,385,006	23,464,017
Net assets, beginning of year	<u>142,747</u>	<u>39,612,291</u>	<u>39,755,038</u>	<u>16,291,021</u>
Net assets, end of year	\$ <u>396,672</u>	\$ <u>45,743,372</u>	\$ <u>46,140,044</u>	\$ <u>39,755,038</u>

The accompanying notes are an integral part of this statement

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	<u>June 30, 2012</u>	<u>Memorandum Only June 30, 2011</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities.		
Increase in net assets	\$ 6,385,006	\$ 23,464,017
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities.		
Depreciation and amortization	204,305	14,681
Equipment abandoned	22,072	-
Changes in assets and liabilities		
Decrease (increase) in receivables	2,492,398	(3,275,649)
Increase (decrease) in accounts payable	(1,279,863)	2,300,763
Decrease (increase) in deposits and prepaid expenses	137	(118,362)
Increase (decrease) in deferred revenue	134,484	(22,644)
(Decrease) increase in retainages payable	(1,323,601)	874,194
Increase on rental deposits	<u>18,470</u>	<u>7,700</u>
Net cash provided by operating activities	<u>6,653,408</u>	<u>23,244,700</u>
Cash flows from investing activities:		
Construction costs capitalized	(5,921,673)	(21,735,742)
Retainages capitalized	-	(874,194)
Acquisition of furniture & equipment	<u>(480,280)</u>	<u>(701,293)</u>
Net cash (used) by investing activities	<u>(6,401,953)</u>	<u>(23,311,229)</u>
Cash flows from financing activities		
Credit line loan (repayment)	<u>(70,002)</u>	<u>70,002</u>
Net cash provided by financing activities	<u>(70,002)</u>	<u>70,002</u>
Net increase in cash and cash equivalents	181,453	3,473
Cash and cash equivalents, beginning of year	<u>92,958</u>	<u>89,485</u>
Cash and cash equivalents, end of year	\$ <u>274,411</u>	\$ <u>92,958</u>
Supplemental Non-Cash Investing and Financing Activities		
Interest paid	\$ 220	

The accompanying notes are an integral part of this statement

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

The primary purpose of New Orleans BioInnovation Center, Inc. (the "Corporation") is to construct, develop and manage the property located at 1441 Canal Street, New Orleans, Louisiana, into a biotechnology business incubator facility in furtherance of the development and support of a life science industry within the City of New Orleans. It is estimated that the cost to design, construct, and start up the facility will be approximately \$48,000,000. Initial occupancy started on June 1, 2011 and is still in development. The Canal Street facility is expected to be 45% occupied by June 30, 2013. Preliminary planning for a Phase II second facility is under consideration.

The Corporation may also develop and manage other properties within the biomedical district. The Corporation's activities are intended to foster economic development through the creation of new jobs, diversification of the local economy and revitalization of an economically depressed area of the City of New Orleans.

The Corporation is a private, not-for-profit entity that shall not be deemed to be a public or quasi public corporation or an administrative unit, public servant, employee or agent of any institution of higher education for any purpose whatsoever, because the Corporation is organized and shall be operated for the principal purpose of supporting one or more programs, facilities or research or educational opportunities offered by Louisiana State University Health Sciences Center, Tulane University Health Sciences Center, Xavier University, and the University of New Orleans.

The New Orleans BioInnovation Center, Inc. is organized and constituted as a nonprofit corporation exempt from income taxation under and in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana, La.Rev.Stat. 12:201-269.

2. Financial Statement Presentation

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2012.

NEW ORLEANS BIOINNOVATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions "

Grant and contract revenue are recognized as they are earned in accordance with approved contracts.

4. Receivables

The Corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

5. Property and Equipment

New Orleans BioInnovation Center, Inc capitalizes, at cost, all furniture and equipment in excess of \$5,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

7. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (December 13, 2012).

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

8 Total Columns

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Certain reclassifications to the June 30, 2011 accounts have been made to conform to the June 30, 2012 presentation.

NOTE B - RECEIVABLES

Receivables at June 30, 2012, consist of the following:

Louisiana Department of Economic Development	
Operating CEA	\$ 106,781
Construction	1,436,134
Tenants	11,786
ILTAP	15,144
LVC Fellowship	3,407
Ochsner Clinic Foundation	10,796
Other	3,904
	<u>\$ 1,587,952</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2012:

Furniture and equipment	\$ 1,208,871
Building	<u>44,680,079</u>
	45,888,950
Less accumulated depreciation	<u>227,583</u>
	<u>\$ 45,661,367</u>

The building is on land leased from Louisiana State University, who has a reversionary interest in the building. See Note E

Depreciation expense for the year amounted to \$204,305.

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2012

NOTE D - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2012:

Perkin Mentor Program	\$ 49,114
Operating CEA	<u>138,762</u>
	<u>\$ 187,876</u>

NOTE E - LEASE AGREEMENT

Building Project

Louisiana State University (LSU) owns the land located at 1441 Canal Street, New Orleans. New Orleans BioInnovation Center, Inc.(NOBIC) entered into a lease agreement with LSU December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10 year periods. Rental payments stated in the First Lease Amendment dated April 11, 2011, provides for \$800 a month commencing upon substantial completion of construction and acceptance for occupancy by NOBIC. The rental rates for renewal option periods provided for by the Renovation Lease shall be calculated by first determining the value of the land as follows capitalizing the net operating income for the project for the year preceding the exercise of the option at ten percent, and attributing twenty percent of the value so derived to the land, and, second, applying, ten percent of the land value so determined as the annual rent for the renewal period. Louisiana State University has a reversionary interest in the building.

Rental expense for the year ended June 30, 2012 amounted to \$9,600.

NOTE F - INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Code.

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2012

NOTE G - RETIREMENT PLAN

The Corporation sponsors a defined contribution plan. All full-time employees are eligible upon date of hire, however, participation is voluntary. The Corporation contributes to the plan an amount equal to 100% of the employee's contribution, limited to 3% of the employee's salary. The pension expense for the year ended June 30, 2012 amounted to \$9,967 (6/30/11 - \$5,445)

NOTE H - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2012.

SUPPLEMENTAL INFORMATION

NEW ORLEANS BIOINNOVATION CENTER, INC.
COMBINED STATEMENT OF REVENUE AND EXPENSES
Year ended June 30, 2012

	<u>Management & General</u>		<u>Commercial-</u>	<u>Sponsorships</u>			<u>Property &</u>	
	<u>CEA</u>	<u>Misc</u>	<u>ization</u>	<u>& Seminars</u>	<u>Subtotal</u>	<u>Construction</u>	<u>Equipment</u>	<u>TOTAL</u>
	<u>Operating</u>	<u>Operating</u>						
REVENUE								
Grant appropriations	\$ 711,775	\$ 10,971	\$ 35,123	\$ -	\$ 757,869	\$ 7,087,595	\$ -	\$ 7,845,464
Public support	-	50,000	-	-	50,000	-	-	50,000
Sponsorships/seminars	-	-	-	47,451	47,451	-	-	47,451
Rental income	-	201,802	-	-	201,802	-	-	201,802
Other	-	11,981	5,100	-	17,081	-	-	17,081
Total Revenue	<u>711,775</u>	<u>274,754</u>	<u>40,223</u>	<u>47,451</u>	<u>1,074,203</u>	<u>7,087,595</u>	<u>-</u>	<u>8,161,798</u>
EXPENSES								
Salaries and related benefits	594,823	10,507	39,823	-	645,153	58,184	-	703,337
Contract labor	575	-	-	-	575	2,686	-	3,261
Contract outside services	5,500	2,288	700	-	8,488	199,088	-	207,576
Consulting & other	5,680	2,084	-	4,951	12,715	22,602	-	35,317
Supplies	7,684	610	972	-	9,266	10,404	-	19,670
Telecommunications	35,972	798	758	-	37,528	2,832	-	40,360
Postage & shipping	709	-	-	-	709	531	-	1,240
Printing & copying	2,030	-	1,072	-	3,102	-	-	3,102
Books, subscriptions, reference	451	-	-	-	451	-	-	451
Rent	9,600	-	-	-	9,600	-	-	9,600
Parking	-	-	85	-	85	-	-	85
Utilities	-	-	-	-	-	163,190	-	163,190
Equip Rental & maintenance	557	-	-	-	557	200	-	757
Travel & meetings	19,691	4,568	5,763	-	30,022	16,752	-	46,774
Equipment	760	46,018	-	-	46,778	62,483	-	109,261
Depreciation	-	204,305	-	-	204,305	-	-	204,305
Donated facilities	-	4,050	-	-	4,050	-	-	4,050
Interest - general	-	-	-	-	-	220	-	220
Insurance	2,336	-	-	-	2,336	166,093	-	168,429
Membership dues	10,679	-	-	-	10,679	-	-	10,679
Staff development	2,774	-	-	-	2,774	595	-	3,369
Outside computer services	3,437	-	-	-	3,437	2,625	-	6,062
Marketing expense	9,260	1,110	-	-	10,370	21,648	-	32,018
Other costs	(743)	1,918	2,500	-	3,675	4	-	3,679
Total expenses	<u>711,775</u>	<u>278,256</u>	<u>51,673</u>	<u>4,951</u>	<u>1,046,655</u>	<u>730,137</u>	<u>-</u>	<u>1,776,792</u>
Increase (decrease) in net assets	-	(3,502)	(11,450)	42,500	27,548	6,357,458	-	6,385,006
Deprecation and abandoned property	-	226,377	-	-	226,377	-	(226,377)	-
Property and equipment capitalized	-	-	-	-	-	(6,401,953)	6,401,953	-
Net assets, beginning of year	-	122,108	20,639	-	142,747	126,500	39,485,791	39,755,038
Net assets, end of year	\$ -	\$ 344,983	\$ 9,189	\$ 42,500	\$ 396,672	\$ 82,005	\$ 45,661,367	\$ 46,140,044

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Orleans BioInnovation Center, Inc

We have audited the financial statements of New Orleans BioInnovation Center, Inc. (a non-profit corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans BioInnovation Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans BioInnovation Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

This report is intended solely for the information of the audit committee, management, Louisiana Legislative Auditor and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carrie T. Schmidt, CPA

Metairie, Louisiana
December 13, 2012

NEW ORLEANS BIOINNOVATION CENTER, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year ended June 30, 2012

A. Summary of Auditor's Results

- 1 The auditor's report expresses an unqualified opinion on the financial statements
- 2 No significant deficiencies in internal control were disclosed by the audit of the financial statements are reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*
- 3 No instances of noncompliance material to the financial statements were noted.

B. Findings - Financial Statement Audit

There were no findings for the current year

C. Management Letter

A management letter was not issued for the year ended June 30, 2012.

D. Questioned Costs

There were no questioned costs for the year ended June 30, 2012

E Prior Year Finding

The late financial statement filing was resolved .